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FISCAL IMPACT REPORT

ORIGINAL DATE 02/17/07

SPONSOR Altamirano LAST UPDATED _____ HB _____

SHORT TITLE Higher Education Faculty Endowment Fund SB 645

ANALYST Williams

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$25,000.0	Non-Recurring	General Fund
	See Narrative		Faculty Endowment Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	\$25,000.0		Non-Recurring	Faculty Endowment Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to SB 260 and HB 292

Relates to LFC budget recommendation of \$25 million in non-recurring in FY07 to the faculty endowment fund.

Relates to Executive budget recommendation of \$12 million in nonrecurring in FY08 to the faculty endowment fund

SOURCES OF INFORMATION

LFC Files

Responses Received From
Higher Education Department (HED)

SUMMARY

Synopsis of Bill

Senate Bill 645 appropriates \$25 million from the General Fund to the faculty endowment fund.

FISCAL IMPLICATIONS

The appropriation of \$25 million in fiscal year 2008 contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year would not revert. This bill provides for continuing appropriations from the faculty endowment fund.

SIGNIFICANT ISSUES

Under current law, the three research institutions and the UNM School of Medicine are eligible to participate in the endowed chair program, while six of the state's universities are eligible to participate in endowed professorships and endowed faculty development programs. Half of the disbursements are to be for endowed chairs, 35 percent are designated for endowed professorships and 15 percent are for endowed faculty development programs. Matching fund requirements are as follows:

- a. Endowed chair: \$500,000
- b. Endowed professorships: \$200,000
- c. Endowed faculty programs, to include lectureships, graduate fellowships and other faculty support programs: \$37,500 for each program

According to Volume II of the LFC budget recommendation: "The committee recommends consideration of nonrecurring funding of up to \$25 million for endowed chairs at the state's four-year and two-year postsecondary institutions. The endowed-chair funding achieves several legislative objectives. The funding provides a mechanism for partnering with noninstitutional funding organizations, attracting, retaining, and creating incentives for enhanced student learning, scholarship, and research as well as supporting the multi-faceted missions of the state's institutions.

The surplus of nonrecurring general fund monies provides an opportunity to invest in this initiative because the distributions from the endowment are used for operating purposes of the endowed faculty positions.

Expansion of the program to two-year institutions will require changes to 21-1-27.1 NMSA 1978 to reward enhanced student learning activities of faculty at those institutions."

According to the Executive Budget in Brief "*Path to Progress, Expanding Opportunity*", January 2007: the executive proposal is to "retain and attract high-caliber faculty to the State's higher education institutions by creating endowed chairs, particularly in specialized, high-need fields. Institutions must provide matching funds from private sources, which helps engage the private sector and alumni."

OTHER SUBSTANTIVE ISSUES

In past years, in determining prior-year institutional draw downs from the faculty endowment fund, the Commission on Higher Education, now the HED, has required the university to provide a letter signed by the chair of the board of regents, the president, and the chief financial officer declaring:

- 1) that an endowment account has been established for receipt both of the monies from the Fund and the non-governmental matching monies;
- 2) which kind of endowment is being established (i.e., a chair, professorship, or faculty development program);
- 3) administration of the Fund meets the requirements of Section 21-1-38 NMSA 1978; and
- 4) identification of the source of the non-governmental monies and their permanent commitment to the endowment.

Faculty endowment funds at institutions are contributing to strong bond ratings for those institutions.

TECHNICAL ISSUES

The legislature may wish to consider a time limit for qualifying institutions to be able to drawdown the funding.

The legislature may wish to consider requiring reporting to LFC and the Department of Finance and Administration on disbursements to each institution, the amount of matching funds and their source and the purpose of the endowments.

ALTERNATIVES

House Bill 338/Senate Bill 240 from 2006 legislative session.

POSSIBLE QUESTIONS

1. What is the most effective level of private contribution match to maximize non-state matching funds, while enabling effective participation in the faculty endowment program by various institutions?

AW/mt:nt